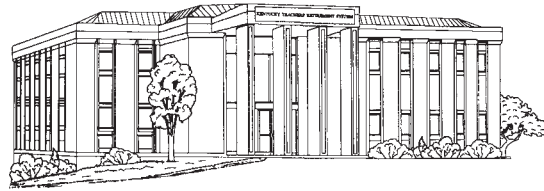


KTRS NEWSLETTER

TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY

ACTIVE MEMBER EDITION
February 2005



Needed Funding for Retired Teachers' Medical Insurance Plan Is Not Included in Governor's Budget

WHAT'S INSIDE!



***Needed
Funding for
Retired
Teachers'
Medical
Insurance
Plan Is Not
Included in
Governor's
Budget***



***Legislative
Session 2005***



***Board of
Trustees Elect
Trustee to
KTRS Board***



***Do you have
Out-of-State
Teaching,
Peace Corps
or Federal
Head Start
Service?***



For the last 40 years, retired teachers have been provided medical benefits on par with other public retirees. There is a danger that could change. The needed funding for the medical insurance benefit for retired teachers as provided for under House Bill 434 is not included in the Executive Budget just released by the Governor's Office. The General Assembly enacted House Bill 434 during the 2004 General Session to provide a state medical insurance contribution to maintain the medical plan at current levels.

Your support of this legislation as manifested by your calls, letters, e-mails, and personal contacts with your legislators was crucial to the passage of this key legislation. As a result of your efforts and support, the General Assembly not only passed HB 434, but demonstrated a willingness to provide the dollars needed to fund the medical insurance plan.

As noted in previous newsletters, medical insurance costs and the maintenance of the medical insurance plan have been a grave concern of the Board of Trustees for a number of years. Because of this concern, they have

worked to build medical insurance reserves to protect this benefit. In addition, the retirement system has maintained substantial communication with both the Governor's Budget Office and members of the General Assembly, keeping them informed of the importance of properly funding this benefit long-term. Though many steps have been taken to address this issue, the medical insurance plan is at the juncture where the benefit cannot be continued at current levels without financial support from the Commonwealth as envisioned by House Bill 434.

Although funding for the medical insurance plan was at a critical point during the

2004 General Session, the crisis has become more immediate as a result of the 42% increase in the cost of medical insurance in the State Group Health Plan for plan year 2005 compared to national average increases ranging from 8% to 11%. As all KTRS retirees age 64 and younger participate in the State Group Health Plan, this unexpectedly large increase in costs has an immediate and direct impact on the funding of the overall KTRS medical plan. Additionally, KTRS has been informed by the administration that the cost for plan year 2006 is anticipated to rise by an additional 15% to 25%.

"... the benefit cannot be continued at current levels without financial support from the Commonwealth as envisioned by House Bill 434."

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Needed Funding for Retired Teachers' Medical Insurance Plan is not Included in Governor's Budget continued . . .

These increased costs are expediting the depletion of the medical insurance reserves at a much faster rate than reasonably could be anticipated. In early 2004, State Group Health Plan premiums were projected to increase by approximately 10%. An increase of this or a similar size would have left the retirement system with sufficient reserves to carry it through the 2006 plan year. However, with the unexpectedly large increase of 42% in plan year 2005 compounded with an increase in plan year 2006 of as much as 25%, the KTRS medical insurance plan may well run out of money by June, 2006. *[In dollars, these increases in the cost of coverage will move the average cost of a single plan from \$3,456 per year to \$6,134 per year in just two years. With 18,800 projected retirees under 65, just the compounded increase in premium would add an additional \$50,346,000 per year cash drain on the fund in 2006.]*

As such, it is critical that during the 2005 General Session KTRS receives the funding for its medical insurance plan as required by House Bill 434. Otherwise, beginning 2006, the KTRS payment of medical insurance premiums for retired teachers may have to be cut, with cuts being possibly **60% or more** of the benefit. To put a 60% reduction in perspective, with insurance premiums projected to rise as high as \$515 per month for single coverage in plan year 2006, a very possible scenario is that retired teachers, for the first time, could pay out-of-pocket an **additional \$310 or more per month** toward their medical coverage in 2006. An optional scenario could be for all retirees under age 65 to pay the projected full cost of \$515 per month for coverage, with retirees age 65 and older paying for part of their coverage.

For another perspective, the average age of all retirees is 67 years old and the average monthly pension five years ago was \$1,584. That average pension increased by the COLA's awarded to keep pace with inflation by the Legislature and the Governor since then has

increased that benefit to \$1,802 today. The impact of paying an additional \$310 or more per month for medical benefits would more than wipe out the positive impact of COLAs for the last five years.

The Governor and General Assembly have a difficult task in apportioning limited public monies among the various funding requests. The KTRS medical insurance plan was established in 1964 with the inception of Medicare and now has over a 40 year history of providing important medical cost support for KTRS retirees. KTRS will devote its full attention to requesting that the Governor and General Assembly include funding in the current budget for the medical insurance plan for KTRS retirees as provided in HB 434.

You, the individual member, have a right to express your view on funding for the KTRS medical insurance program. Kentucky Legislators have asked KTRS members to express their concerns directly to them. ***Again, there is currently no funding in the current budget for the KTRS medical insurance plan as provided under House Bill 434.***

Please contact your local State Representative and Senator and urge them to fully fund the KTRS medical insurance plan in the current budget. You may contact your local Representative and Senator directly by calling 502-564-8100 and asking for them by name. If the Legislator you seek to speak with is not in, it is appropriate to leave a message with his or her office explaining your request for full funding of the KTRS medical insurance plan in the current budget. You may also call the toll free Legislative Message Line at 1-800-372-7181 and leave the same message. For a complete list of legislators, see the LRC Web site at www.lrc.ky.gov and click on "Who's My Legislator" or view the KTRS Web site at www.ktrs.gov for a link directly to the LRC Web site.

Executive Recap . . .

- ◆ For over 40 years, since 1964, retired teachers have been provided medical benefits comparable to other public retirees.
- ◆ Funding levels for this benefit are at a critical stage.
- ◆ Requested funding of \$29 million in FY 04-05 and \$62 million in FY 05-06 is not included in the Governor's Budget.
- ◆ Without the needed funding, medical benefits could be cut by 60% or more in 2006.
- ◆ **Please contact your legislators and urge them to fully fund HB 434.**

Board of Trustees Elect Trustee to KTRS Board



At the December 20, 2004, meeting of the Board of Trustees, Ronald L. Sanders of Hodgenville was elected by the Board to replace lay trustee, Governor Julian M. Carroll, who resigned due to his election to the State Senate.

Mr. Sanders, who has been involved in the banking industry for his entire career, is president and chief executive officer of Magnolia Bank, Hodgenville, and is extensively involved in civic and community organizations. Mr. Sanders' term of office will extend through June 30, 2007.

KENTUCKY TEACHERS' RETIREMENT SYSTEM Mid-Career Planning Workshops

REGISTRATION
5:30 P.M. - 5:40 P.M. (Local Time)

SEMINAR
5:40 P.M. - 8:30 P.M. (Local Time)

March 7, 2005

The Center for Rural
Development
2292 South US Hwy 27
Somerset, KY

March 15, 2005

Best Western/Brownsboro Inn
Onyx Room
4805 Brownsboro Road
Louisville, KY

March 28, 2005

Hopkinsville Community College
Technology Center
Room 203A/B
720 North Drive
Hopkinsville, KY

April 18, 2005

The Springs Inn
Ball Room
2020 Harrodsburg Road
Lexington, KY

KENTUCKY TEACHERS' RETIREMENT SYSTEM Pre-Retirement Seminars

REGISTRATION
9:00 A.M. - 9:15 A.M.
(Local Time)

SEMINAR
9:15 A.M. - 1:00 P.M.
(Local Time)

You are invited to attend if you are minimum one year to five years maximum from retirement.

March 12, 2005

Erlanger-Elsmere Ind.
Lloyd High School
Deitz Auditorium
Erlanger, KY

April 16, 2005

Barren River SRP
1149 State Park Road
Lucas, KY

June 11, 2005

KTRS
477 Versailles Rd
Frankfort, KY

June 18, 2005

KTRS
477 Versailles Rd
Frankfort, KY

July 19, 2005

Cumberland Falls SRP
7351 Highway 90
Corbin, KY

July 20, 2005

Natural Bridge SRP
Activity Center
2135 Natural Bridge Rd
Slade, KY

July 26, 2005

KY Dam Village SRP
Convention Center
166 Upper Village Drive
Gilbertsville, KY

July 27, 2005

Hopkinsville Community College
Auditorium
720 North Drive
Hopkinsville, KY

*Please feel free to bring a snack to
have during the seminar.*

KTRS SEMINAR OR WORKSHOP PRE-REGISTRATION FORM

Pre-registration for all seminars is **NECESSARY** and offered on a first come, first served basis. Individual retirement estimates will **NOT** be available at these workshops/seminars. **Return this pre-registration form to KTRS or pre-register on-line at: www.ktrs.ky.gov**



**Mid-Career
Workshop**



**Pre-Retirement
Seminar**

Name _____ Social Security Number _____ - _____ - _____

Address _____

City/State _____ ZIP Code _____

Name of Employer _____

Home Phone: (_____) _____ Work Phone: (_____) _____

Date of Workshop attending: _____ City of Workshop attending: _____

**** Guests are welcome if seating is available. Priority is given to KTRS Members****

Please return completed registration form to: KTRS • 479 Versailles Road • Frankfort, KY 40601-3800

Do you have Out-of-State Teaching, Peace Corps or Federal Head Start Service?

The formula for purchasing out-of-state teaching and Peace Corps service will change to full actuarial cost effective July 1, 2005. Federal Head Start service, now purchasable only under the current out-of-state teaching service formula, will also change to full actuarial cost effective July 1, 2005. These changes will make the cost of purchasing these types of service more expensive for some members, and less expensive for others. If you have out-of-state teaching, Peace Corps or federal Head Start service, you may wish to contact the retirement system to compare the cost under the current formula with the full actuarial cost formula. Remember, in-service transfers of tax-deferred monies cannot be used to purchase service credit that is purchasable at less than full actuarial cost. This could be an important factor in determining when you want to purchase your out-of-state teaching, Peace Corps or federal Head Start service. Contact KTRS for details.

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